

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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May 25, 2004

Mr. John Twitty, Controller
Health Management Resources
101 Grace Drive
Easley, South Carolina 29640

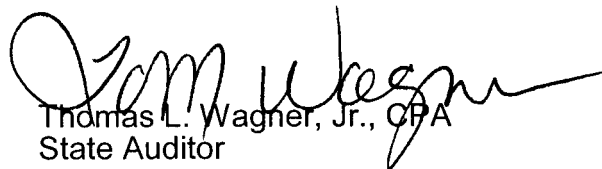
Re: AC# 3-PDL-J0 – Piedmont Nursing and Rehabilitation Center, Inc.

Dear Mr. Twitty:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

PIEDMONT NURSING AND REHABILITATION CENTER, INC.

GREER, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2001
AC# 3-PDL-J0**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

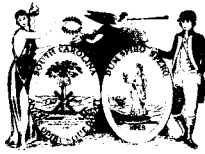
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 17, 2004

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Piedmont Nursing and Rehabilitation Center, Inc., for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of Piedmont Nursing and Rehabilitation Center, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

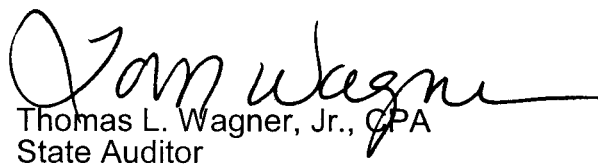
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Piedmont Nursing and Rehabilitation Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Piedmont Nursing and Rehabilitation Center, Inc. dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
March 17, 2004

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

PIEDMONT NURSING AND REHABILITATION CENTER, INC.

Computation of Rate Change
For the Contract Period
Beginning October 1, 2001
AC# 3-PDL-J0

	10/01/01- <u>12/31/02</u>
Interim Reimbursement Rate (1)	\$105.33
Adjusted Reimbursement Rate	<u>103.84</u>
Decrease in Reimbursement Rate	\$ <u>1.49</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003

PIEDMONT NURSING AND REHABILITATION CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2001 Through December 31, 2002
AC# 3-PDL-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$53.31	\$58.02	
Dietary		9.30	10.74	
Laundry/Housekeeping/Maintenance		<u>9.73</u>	<u>9.23</u>	
Subtotal	\$ <u>5.46</u>	72.34	77.99	\$ 72.34
Administration & Medical Records	\$ <u>1.50</u>	<u>9.97</u>	<u>11.47</u>	<u>9.97</u>
Subtotal		82.31	\$ <u>89.46</u>	82.31
<u>Costs Not Subject to Standards:</u>				
Utilities		2.20		2.20
Special Services		.26		.26
Medical Supplies & Oxygen		3.76		3.76
Taxes and Insurance		2.20		2.20
Legal Fees		<u>.06</u>		<u>.06</u>
TOTAL		\$ <u>90.79</u>		90.79
Inflation Factor (3.80%)				3.45
Cost of Capital				6.53
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.50
Cost Incentive				5.46
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.21)
Nurse Aide Staffing Add-On 10/01/00				<u>1.32</u>
ADJUSTED REIMBURSEMENT RATE				\$ <u>103.84</u>

PIEDMONT NURSING AND REHABILITATION CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-PDL-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,472,653	\$ -	\$ -	\$2,472,653
Dietary	431,258	-	-	431,258
Laundry	128,478	-	-	128,478
Housekeeping	223,329	-	-	223,329
Maintenance	99,497	-	-	99,497
Administration & Medical Records	462,565	-	-	462,565
Utilities	101,889	-	-	101,889
Special Services	12,128	-	-	12,128
Medical Supplies & Oxygen	174,463	-	-	174,463
Taxes and Insurance	160,893	-	58,981 (1)	101,912
Legal Fees	2,997	-	-	2,997
Cost of Capital	<u>310,889</u>	<u>636 (3)</u>	<u>8,466 (2)</u>	<u>303,059</u>
Subtotal	4,581,039	636	67,447	4,514,228

PIEDMONT NURSING AND REHABILITATION CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-PDL-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	72,469	-	-	72,469
Nonallowable	<u>477,662</u>	<u>58,981</u> (1)	<u>636</u> (3)	<u>536,007</u>
Total Operating Expenses	<u>\$5,131,170</u>	<u>\$59,617</u>	<u>\$68,083</u>	<u>\$5,122,704</u>
Total Patient Days	<u>46,380</u>	<u>-</u>	<u>-</u>	<u>46,380</u>
Total Beds	<u>132</u>			

PIEDMONT NURSING AND REHABILITATION CENTER, INC.

Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-PDL-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Taxes and Insurance	\$58,981	\$58,981
	To adjust property tax expense State Plan, Attachment 4.19D		
2	Accumulated Depreciation	12,520	
	Other Equity	4,665	
	Fixed Assets		8,719
	Cost of Capital		8,466
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304		
3	Cost of Capital	636	
	Nonallowable		636
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$76,802</u>	<u>\$76,802</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

PIEDMONT NURSING AND REHABILITATION CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-PDL-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3848</u>
Deemed Asset Value (Per Bed)	37,246
Number of Beds	<u>132</u>
Deemed Asset Value	4,916,472
Improvements Since 1981	561,003
Accumulated Depreciation at 9/30/00	(<u>1,627,939</u>)
Deemed Depreciated Value	3,849,536
Market Rate of Return	<u>.058</u>
Total Annual Return	223,273
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	223,273
Depreciation Expense	79,788
Amortization Expense	-
Capital Related Income Offsets	(2)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	303,059
Total Patient Days (Minimum 96% Occupancy)	<u>46,380</u>
Cost of Capital Per Diem	\$ <u><u>6.53</u></u>

PIEDMONT NURSING AND REHABILITATION CENTER, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2000
 AC# 3-PDL-J0

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 7.17
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u><u>11.16</u></u>
Reimbursable Cost of Capital Per Diem	\$ 6.53
Cost of Capital Per Diem	<u>6.53</u>
Cost of Capital Per Diem Limitation	\$ <u><u>-</u></u>

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